

Message Text

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ORIGIN EA-09

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 EPG-02 DODE-00 EB-07 FPC-01 H-01
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05
USIA-06 OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
ABF-01 IGA-02 AGRE-00 /103 R

DRAFTED BY EA/TIMBS:REFRITTS:CCH

APPROVED BY EA - MR. HEGINBOTHAM

D - MR. PASCOE

E - MR. ROSS

EA/RA - MR. GEBER

-----122468 200428Z /21

R 192304Z JUL 77

FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

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E.O. 11652: N/A

TAGS: EAID, EFIN, ENRG, ID

SUBJECT: INDONESIAN MINSTATE WIDJOJO MEETINGS: BILATERAL
ECONOMIC ISSUES

1. MINSTATE WIDJOJO MET SEPARATELY WITH DEPSEC CHRISTOPHER
(JULY 11) AND UNDERSECECON COOPER (JULY 12). MAJOR BI-
LATERAL ECONOMIC ISSUES DISCUSSED WERE AS FOLLOWS:

(A) PL-480 - WIDJOJO ASKED SUPPORT FOR GOI REQUEST OF
500,000 TONS PL-480 RICE IN CURRENT GOI FISCAL YEAR,
CITING RECENT VISIT BY AGSEC BERGLAND, PRODUCTION PRO-
BLEMS, AND INCREASED CONSUMPTION. DELIVERY DATES IMPOR-
TANT AS RICE PRICE AND RELATED CONSUMER PRICES SHOULD BE
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STABILIZED PRIOR MARCH 1978 PRESIDENTIAL ELECTION. WIDJOJO
REFUTED IDEA THAT RICE SHIPMENTS WOULD ERODE INCENTIVES TO
INCREASE INDONESIAN RICE PRODUCTION WHICH REMAINS TOP GOI
PRIORITY. CHRISTOPHER STATED PROBLEM WOULD RECEIVE PROMPT
AND IMMEDIATE ATTENTION. COOPER PROMISED SYMPATHETIC CON-
SIDERATION, ALTHOUGH AGENCY VIEWS MAY DIFFER ON PROPER
ALLOCATION REMAINING FY-77 PL-480 FUNDS.

(B) IRS - WIDJOJO NOTED IMPORTANCE FOR FUTURE OIL EXPLORATION OF EARLY AND FAVORABLE DECISION BY IRS ON TAX CREDITABILITY FOR U.S. FIRMS MAKING TAX PAYMENTS TO GOI.

HE DETAILED TO COOPER INDONESIAN STEPS TO ENCOURAGE OIL INVESTMENT THROUGH RENEGOTIATED INCENTIVES, IDENTIFYING IRS DECISION AS A REMAINING OBSTACLE TO RESUMPTION EXPLORATION. (IN EA MEETING, WIDJOJO CHARACTERIZED ANY CONSOLIDATION OF CONTRACT AREAS FOR TAX ACCOUNTING PURPOSES AS FORCING GOI TO SHARE RISKS, WHICH WOULD SET BACK WHOLE PRODUCTION-SHARING PRINCIPLE PLACING ENTIRE RISK ON COMPANIES).

(C) LNG - WIDJOJO EXPRESSED TO CHRISTOPHER AND COOPER GOI INTEREST IN LNG EXPORTS TO U.S. AND HOPE FOR FAVORABLE FPC DECISION ALONG LINES RECENT DECISION ON ALGERIAN LNG.

2. FYI: INTERAGENCY REVIEW CURRENTLY UNDERWAY ON PL-480 AVAILABILITIES IN FY 1977. THERE WAS INITIAL CONFUSION IN WIDJOJO'S STATEMENTS, WHETHER HE REGARDED 500,000 TONS RICE AS ADDITIONAL TO OR INCLUDED IN 150,000 ALREADY PROGRAMMED UNDER MAY 17 AGREEMENT. INDONESIAN EMBASSY HAS CLARIFIED THAT LATTER FIGURE INCLUDED. WE ALSO REMINDED WIDJOJO OF OUTSTANDING GOI COMMITMENT TO BUY 30,000 TONS OF US RICE COMMERCIALY. EMBASSY SHOULD LIMITED OFFICIAL USE

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FOLLOW UP APPROPRIATELY. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MINISTERIAL MEETINGS
Control Number: n/a
Copy: SINGLE
Sent Date: 19-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE168542
Document Source: CORE
Document Unique ID: 00
Drafter: REFRITTS:CCH
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770257-0350
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770741/aaaabjih.tel
Line Count: 95
Litigation Code IDs:
Litigation Codes:
Litigation History:
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Message ID: 47529a67-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
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Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1813986
Secure: OPEN
Status: NATIVE
Subject: INDONESIAN MINSTATE WIDJOJO MEETINGS: BILATERAL ECONOMIC ISSUES
TAGS: EAID, EFIN, ENRG, ID, US
To: JAKARTA
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/47529a67-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009